

June 23, 2023

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Executive Advisor
0344

**Subject: Department Review – Theatre & Dance
 Report 2023-08**

The final report for the Department Theatre & Dance, report 2023-08, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins
Director
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Attachment

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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Department of Theatre and Dance
Report No. 2023-08
June 2023

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Theatre and Dance at University of California San Diego (UCSD) as part of the approved audit plan for Fiscal Year (FY) 2022-23. The objective of our audit was to evaluate whether internal controls provided reasonable assurance that Theatre and Dance operations were effective and efficient, complied with University policies and procedures, and resulted in accurate financial reporting.

Based on our review, the Department of Theatre and Dance internal controls were not operating consistently to provide reasonable assurance that operations were effective, performed in compliance with University policy and procedures, and resulted in accurate financial reporting. While Theatre and Dance has strived to adopt to the new campus financial system, challenges with the system transition coupled with resource constraints have resulted in inconsistent controls in financial management, transaction account code usage, compliance with University policy related to events, risk assessment, accounts receivable, and gift fund compliance.

Controls for procurement, travel events, cash expenditures, payroll cost transfers, and other areas were effective. We noted the Department was facing a significant challenge in resolving the deficits it is facing, however, the Department has been actively collaborating with the Arts & Humanities Dean's Office on a resolution plan. The detailed results of business processes reviewed are provided in **Attachment A**. Management Action Plans are summarized below.

A. Financial Management Internal Controls

1. Theatre and Dance has implemented processes to document the performance of key controls, including a monthly transaction review of the operating ledger and payroll expenditure process to ensure compliance with SAS 115.
2. Theatre and Dance will document the biannual equipment inventory process and complete the required biennial physical inventory and reporting (which includes reporting the results to Department management and Campus Equipment Asset Management).

B. Transaction Account Code Usage

1. Theatre and Dance will review and correct, as appropriate, the account code classification for the transactions identified in this review.
2. Theatre and Dance will ensure that its transaction review process ensures correct account code classification. A list of commonly used account codes may aid in this effort.

C. Events

1. Theatre and Dance administrative staff and management will complete further training on Concur to obtain familiarity with University policy BUS-79 and the required documentation.
2. Theatre and Dance will include the required documentation and seek approval for the Wagner New Play Festival Closing event as per University policy and guidelines.

D. Risk Assessment

1. Theatre and Dance will work with the Unit Information Security Lead and Unit Head to document a risk assessment and update periodically as required by policy.

E. Accounts Receivable

1. Theatre and Dance will work with the Business & Financial Services Financial Operations unit so that it is allocated the payments LJP has made.
2. Theatre and Dance will document the accounts receivable review process and follow-up on the receivables outstanding.

Observations and related management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Theatre and Dance as part of the approved audit plan for FY 2022-23. This report summarizes the results of our review.

Founded in 1972, the University of California San Diego (UCSD) Department of Theatre and Dance (Department) has thirty-four permanent and 42 part-time faculty members who teach and mentor two hundred undergraduate students, sixty Master of Fine Arts (MFA) students, and 12 Ph.D. students each year. The Department has six performance venues and five performance-sized rehearsal halls available for its Theatre and Dance productions. The UC San Diego Theatre District houses one of the most technically advanced and flexible performance facilities in the country, including a building designed exclusively for Dance Theatre. The Department produces 19 productions annually.

The Department has an ongoing collaboration with the Theatre and Arts Foundation of San Diego (also known as “La Jolla Playhouse”), a nonprofit public benefit corporation. The collaboration with the La Jolla Playhouse (LJP) has been in effect for more than three decades. By agreement, the Department shares facilities and workshops with LJP. In addition, after their second year, the Department’s MFA candidates receive professional residencies at LJP.

Theatre and Dance, like most UCSD departments, has experienced challenges associated with the implementation of several new core systems in the last few years: Oracle Financials Cloud (OFC) and Concur travel, expense system (collectively known as Financial Information System (FIS)), Common Chart of Accounts (CCOA), UCPATH (Payroll and Personnel System), Quali Research/Conflict of Interest, Ecotime (timekeeping system), and UC Outside Activity Tracking System (UC OATS) among others. The implementation of the new systems meant the sunset of tools, such as Transaction Sampling and Control Tracker, which departments used to monitor expenditures and internal controls. Initial delays in meeting the reporting needs of the campus departments created challenges for management to develop pertinent business process documentation.

Unlike most academic departments, Theatre & Dance does not have a faculty chair. The Dean’s office has funded the costs of an Executive Advisor who has been in place as of October 26, 2020. Also, since the last internal audit, there has been turnover in the administrative office, including of the Chief Administrative Officer (CAO) and the support staff.

Theatre and Dance has faced a substantial deficit throughout FY 2021-22. However, the Department’s Chief Administrative Officer has been collaborating with the Arts & Humanities Dean’s Office to address the deficit. For FY 2021-22, the Department had approximately \$11.5 million in expenditures, of which approximately \$10.9 million (95%) went to compensation, and \$0.55 million went to non-compensation expenditures.

Summary Net Operating Results			
	FY 2021	FY 2022	Change
Core Funds	\$10,278,427	\$ 9,495,346	\$ (783,081)
Other Funds	268,605	532,414	263,809
Total Resources	<u>10,547,032</u>	<u>10,027,760</u>	(519,272)
Compensation expenses	(9,872,819) ¹	(10,866,159) ¹	(993,340)
Non-compensation expenses	(1,700,321)	(546,572)	1,153,749
Transfers (net)	30,366	(80,948)	(111,314)
Expenses & transfers	<u>(11,542,771)</u>	<u>(11,493,677)</u>	49,094
Change in net position	(995,739)	(1,465,917)	
Beginning Net Position, July 1	1,915,457	919,715	
Change in net position	(995,739)	<u>(1,465,917)</u>	
Ending Net Position, June 30	<u>\$ 919,715</u>	<u>\$ (546,199)</u>	
Capital Assets	34,522	45,940	
Resources Available	885,193	(592,144)	

¹Noted minor rounding error (FY21 and FY22 of \$3 and \$2 respectively in Expenses & transfers).

Total resources for Departmental operations were \$10,547,032 for FY 2021 and \$10,027,760 for FY 2022, a decrease of \$519,272. Though other funding sources nearly doubled, these resources did not offset the reduction in core funding of \$783,081, as core support had decreased from \$10,278,427 to \$9,495,346 from FY 2021 to FY 2022.

For FY 2021 to 2022, compensation expenses, including graduate student salaries, increased \$993,340 from \$9,872,819 to \$10,866,159, respectively. The non-compensation expenditures decreased from \$1,700,321 to \$546,572 from FY 2021 to FY 2022, respectively, resulting in a cost reduction of \$1,153,749. The net expenses and transfers decreased by \$49,094.

In each fiscal year, resources available were less than expenditures by a million dollars or more. The resulting annual deficits of \$995,739 and \$1,465,917 for FY 2021 and 2022, respectively, have left Theatre and Dance in a negative financial position. Theatre and Dance had no federal funds for the period reviewed.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our audit was to evaluate whether internal controls provided reasonable assurance that Theatre and Dance operations were effective and efficient, complied with University policies and procedures, and resulted in accurate financial reporting. The scope of the review was limited to activities and business practices during FY 2021-22.

To achieve our objective, we performed the following:

- Reviewed system-wide and local policies, including, but not limited to:
 - University of California (UC) Business and Finance Bulletin (BFB) G-28;
 - UC BFB BUS-29: Management and Control of University Equipment;
 - UC BFB BUS-43: Material Management;
 - UCOP BUS-79: Expenditures for Business Meetings, Entertainment, and Other Occasions;
 - UC BFB IS-3: Electronic Information Security;
 - UC IA-101: Internal Control Standards: Departmental Payrolls; and
 - APM-025 Conflict of Commitment & Outside Activities.
- Interviewed the following departmental personnel:
 - Assistant Dean, Arts & Humanities;
 - Chief Administrative Officer (CAO);
 - Financial Analyst;
 - Production Manager; and
 - Senior Production Supervisor.
- Evaluated internal controls and business processes in areas including Financial Management, Cash Management, Non-Payroll Transactions Processing, Personnel & Payroll Management; Information System & Technology, and Equipment Management;
- Reviewed the agreements and the financial relationship (Accounts Receivable and Accounts Payable) with La Jolla Playhouse;
- Evaluated whether any separated employees had purchased on their P-cards after separation;
- Reviewed funds in deficit and deficit management practices;
- Reviewed the following expenditure processes for compliance with University policy:
 - P-card transactions: Traced and reviewed a sample of P-card transactions from the travel and expense system (Concur);
 - Production cash account disbursements, supporting documentation and Certification of Possession of University Funds form;
 - Travel and Expense reimbursement documentation and authorizations;
 - Business and Entertainment events;
 - Disbursements from gift funds; and
 - A sample of Purchase Orders.

IV. CONCLUSION

Based on our review, the Department of Theatre and Dance internal controls were not operating consistently to provide reasonable assurance that operations were effective, performed in compliance with University policy and procedures, and resulted in accurate financial reporting. While Theatre and Dance has strived to adopt to the new campus financial system, challenges with the system transition coupled with resource constraints have resulted in inconsistent controls in financial management, transaction account code usage, compliance with University policy related to events, risk assessment, and accounts receivable.

Controls for procurement, travel events, cash expenditures, payroll cost transfers, and other areas were effective. We noted the Department was facing a significant challenge in resolving the deficits it is facing, however, the Department has been actively collaborating with the Arts & Humanities Dean's Office) on a resolution plan. The detailed results of business processes reviewed are provided in **Attachment A**. Opportunities for improvement are discussed in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Financial Management Internal Controls
Performance of key Internal controls has not been consistent or documented, as required per SAS 115. Processes such as ledger review, payroll reconciliation, and biennial equipment inventory have not been routinely completed.	
Risk Statement/Effect	
Lack of documentation of key business controls and their performance, as required by SAS 115, reduces assurance that departmental resources are effectively deployed.	
Management Action Plans	
A.1	Theatre and Dance has implemented processes to document the performance of key controls, including a monthly transaction review of the operating ledger and payroll expenditure process to ensure compliance with SAS 115.
A.2	Theatre and Dance will document the biannual equipment inventory process and complete the required biennial physical inventory and reporting (which includes reporting the results to Department management and Campus Equipment Asset Management).

A. Financial Management Internal Controls – Detailed Discussion

Statement on Auditing Standards (SAS) 115, Communicating Internal Control Related Matters Identified in an Audit, is a financial reporting standard that establishes guidelines for determining the seriousness of internal control issues. The guidance describes the basis for management to have reliance on internal controls. For compliance with SAS 115, UCSD strives to ensure that key controls are in place and that UCSD management can demonstrate, through documentation, that controls are operating as intended.

Operating Ledger Transaction Verification

With the transition to OFC and Concur, tools that facilitated documentation of key controls, such as Transaction Sampling (an online tool that selected a sample of transactions for staff to review monthly) and Control Tracker (an online tool that enabled management to electronically certify to the performance of key controls) were deprecated. Though the tools were eliminated with the implementation of the current FIS, management is still responsible for performing fiscal oversight and key control responsibilities in compliance with policy and best practices. The UCSD Campus Controller issued guidance in Spring 2022 for departments to document internal controls, and a new Transaction Details report has been developed to assist departments in identifying high-risk transactions for ledger review.

In the transition, Department staff monitored transactions periodically, although not systematically, as processes were frequently being updated. At the time of our review, the Department had neither a documented operating ledger review process in place nor a record of a systematic review as required

per SAS 115 to provide adequate assurance controls are operating as intended.

Payroll Ledger Review

University Policy (IA-101) requires a review of the payroll ledger. While Department staff indicated they reviewed the payroll ledger, this process and any observations were not documented. New system changes, the Covid-19 pandemic remote working environment, and new management at the Department likely contributed to these gaps, causing further delays in reviewing and verifying available financial transactions. Payroll ledger review is of increased importance following the implementation of new systems (UCPath and OFC) to ensure that payroll charges are reflected in the appropriate financial accounts, and errors are corrected timely.

Equipment Inventory

University policy (BUS-29) requires that campus departments complete a biennial equipment inventory on their own. Results are to be reported to department administration and to the campus equipment management department. The inventory process itself should be documented in compliance with SAS 115 and for assurance that it is consistently performed.

We noted that Theatre and Dance has neither performed nor documented the required physical inventory. There was an apparent misunderstanding by the Departmental equipment manager as to what the Department’s responsibilities are with respect to completing a capitalized equipment inventory, as opposed to the responsibility of central offices. Conducting periodic physical inventory and documentation of the performance ensures the Department’s assets are accurately recorded for financial reporting. Without documented procedures, there is a risk that physical inventory could be completed by someone involved in equipment acquisitions and thus lead to conflict of duty, or the verification could be done inconsistently.

B.	Transaction Account Code Usage
Purchase of physical assets and equipment rentals were categorized under incorrect accounts.	
Risk Statement/Effect	
Incorrect classification of expenditures can result in inaccurate financial reporting, and reduces management’s ability to monitor department spending.	
Management Action Plans	
B.1	Theatre and Dance will review and correct, as appropriate, the account code classification for the transactions identified in this review.
B.2	Theatre and Dance will ensure that its transaction review process ensures correct account code classification. A list of commonly used account codes may aid in this effort.

B. Transaction Account Code Usage – Detailed Discussion

With the FIS implementation and the new CCOA, departments had to undergo learning curve as staff became more familiar with the new system and account codes used in processing expenditures. We reviewed a sample of 34 transactions from FY 2021-22 and noted nine transactions which appeared to be misclassified (listed in Attachment B). These items fall into two general categories: (i) Transactions involving physical assets (equipment) and (ii) Transactions involving equipment rental.

Transactions involving physical assets (equipment)

University policy (BUS-29) requires that equipment costing over \$5,000, including sales taxes, shipping, and installation costs, be capitalized and tracked in Campus Asset Management System (CAMS). Accessories, if purchased with the equipment, are also capitalized with the equipment. Else, accessories must meet the same dollar threshold for capitalization. Equipment with an acquisition cost of less than \$5,000 is listed as non-inventorial equipment or account code (522301 Equipment <\$5K) in the current chart of accounts. Although not carried as inventorial equipment, the assets listed in this account code may be listed in CAMS for tracking because they may be theft sensitive. Policy requires that departments track theft-sensitive equipment, and audio and visual equipment is specifically listed as an example in the policy.

We observed seven transactions involving physical assets costing approximately \$34,400, which appear misclassified. The items are mostly “Telecom Audio Visual Equipment,” which were incorrectly categorized under the wrong account codes and were also not capitalized as required. Each item is discussed in detail in Attachment B.

Transactions involving equipment rental

We identified two transactions that should have recognized equipment rental. The first was for the rental of an electric scissor lift costing \$918.84 that was coded to 532000 – Facilities Construction. The second had two cost components that comprised of rental of a copier at \$4,844.87 coded to 522201 - Office Supplies, and associated maintenance contract costing \$1,185.49 that was charged to 522301 – Equipment less than \$5K. The costs of the scissor lift and copier rental should have been coded to 532200 – Equipment Rental. The cost of the rental contract should have been charged to 532301 – Equipment Repairs and Maintenance instead of being listed as a non-inventorial asset.

Accounting standards require accurate recording of journal entries in the ledger to facilitate accurate financial reporting, improved asset management, and budgeting. Incorrect account code usage results in the misclassification of expenditures in the financial system. In addition, without a systematic review of expenditures (as discussed in Finding A), there is an increased risk that equipment will be miscoded and not tracked as required by policy.

C.	Events
We observed instances of non-compliance with University policy related to Events, such as missing business purpose, and alcohol purchases not separated from other expenditures.	
Risk Statement/Effect	
Non-compliance with University policy related to event expenditures and documentation increases the risk that expenditures are not authorized, and approvers do not have all the relevant information to verify the appropriate use of resources.	
Management Action Plans	
C.1	Theatre and Dance administrative staff and management will complete further training on Concur to obtain familiarity with University policy BUS-79 and the required documentation.
C.2	Theatre and Dance will include the required documentation and seek approval for the Wagner New Play Festival Closing event as per University policy and guidelines.

C. Events – Detailed Discussion

Concur travel and expense system interfaces with OFC and facilitates the documentation and approval of various expenditures, including events. The cause of the following observations appears to be a lack of guidance on the correct account codes to use in Concur and a lack of familiarity with University policy (BUS-79, section V. B. Reimbursement Documentation) which requires the following:

- *Number of participants (attach a guest list¹ containing the name and title of participants, and their occupation or group affiliation, in order to establish the business related relationship to the University);*
- *Business-related nature of the occasion or purpose of the event; and*
- *The signature, printed name, and department of the department head or approving authority. The signature of the host must also be obtained for entertainment, and morale-building activities.*

In addition, Policy (BUS-79 Appendix B, Approval Of Expenditures) requires that events where meals are provided to a spouse or domestic partner or where maximum per-person rates are exceeded and for certain types of activities regardless of expense, be reviewed by an approver having delegated authority and budgetary approval over the account being charged. Such events are generally referred to as Special Entertainment.

Wagner New Play Festival Closing

Our review included an event (Wagner New Play Festival Closing) with the most attendees and expenses that was held on May 14, 2022. It featured beverage service by an outside contractor and

¹ University policy BUS-79 states, “If it is impractical to list each guest based on the open nature of the event (e.g., the Chancellor’s annual staff appreciation picnic, a retirement reception, and other similar events), the documentation need not include individual names and titles.”

food by UCSD catering. However, we noted that the business purpose was not documented. Though no state funds paid for the event, compliance with UC policy on documenting the business purpose is still required.

Other Events

Our sample also reviewed other smaller events and noted the following:

- Five of the nine events we reviewed were missing attendee lists.
- Alcohol was not separated in one instance, though the event was not charged to state funds. On another event, only the total charges are documented, so it is not possible to determine if alcohol was involved, which is a consideration as the event was paid from state funds. University policy (BUS-79) prohibits using state funds to pay for alcohol.
- In seven instances, the account code (522002 – Food /Dine In/Deliver/Pick up) was used though the attached invoices are clearly for meals served at a restaurant (in these cases, for recruitment purposes). The correct account code for this purpose would be 536500 – Meals and Catering – Business and Technical. While the selection of either account code does not impact downstream approval workflows in terms of getting approval at the proper level, the use of a dine-in account code misstates the nature of the events.

D.	Risk Assessment
The Department has not formalized the Information Security Risk Assessment per IS-3 requirements.	
Risk Statement/Effect	
Without a risk assessment process and documented results, leadership may be unaware of risks to information resources to ensure that adequate steps are being taken to protect those resources from cyber-attacks.	
Management Action Plan	
D.1	Theatre and Dance will work with the Unit Information Security Lead and Unit Head to document a risk assessment and update periodically as required by policy.

D. Risk Assessment – Detailed Discussion

University Policy (IS-3) establishes a framework that ensures all UC locations follow the same approach to reduce and manage cyber risk, protect information, and support the proper functioning of IT Resources. The policy follows both a standard and risk-based approach to information security. The risk-based approach guides the allocation of resources by evaluating risk and assessing the cost and benefit of risk management. For this approach to be effective, each area must understand its own risks as documented in a risk assessment.

Our review noted that the Department had not formalized a risk assessment or a risk treatment plan per IS-3 requirements. Policy states that the Unit Information Security Lead (UISL) must update risk assessments and risk treatment plans to manage risk. UISLs are responsible for ensuring tactical

execution of information security activities including, but not limited to: implementing security controls; reviewing and updating Risk Assessments and Risk Treatment Plans; devising procedures for the proper handling, storing and disposing of electronic media within the Unit; and reviewing access rights. These activities are performed in consultation with the Unit Head to whom they report. Unit heads are leaders of units with IT resources (information, systems, and IT personnel) managed within their Unit. The campus has recently formally identified Unit Heads and UISLs for purposes of IS-3 compliance. For Theatre and Dance, the Unit Head is the Dean of Arts and Humanities, and the UISL currently designed for the area is the IT resource for Social Sciences. Reviews must occur at least once every three years or following major changes in configuration or environment, or on a frequency to meet regulatory, contractual and legal requirements.

The documentation of a risk assessment will bring the Department into compliance with the policy and also create awareness of potential cyber security risks to electronic resources and steps needed to mitigate those risks. As the Department’s needs and the University information environment change, risk assessment may then be updated in the future as required by policy.

E.	Accounts Receivable
The Department did not have a process for accounts receivable reconciliation and monitoring. We noted receivables due from La Jolla Playhouse originating from 2021, and invoice payments have taken as long as 310 days to post to accounts receivable. In addition, two La Jolla Playhouse invoices totaling \$147,526 remain outstanding despite lockbox payments having been made nine months prior.	
Risk Statement/Effect	
Without accounts receivable reconciliation and monitoring, there is risk the Department will not be reimbursed for LJP expenditures, and thus be inadvertently subsidizing LJP. Securing assets so that they may be used to supports the department’s mission is key management goal.	
Management Action Plans	
E.1	Theatre and Dance will work with the Business & Financial Services Financial Operations unit so that it is allocated the payments LJP has made.
E.2	Theatre and Dance will document the accounts receivable review process and follow-up on the receivables outstanding.

E. Accounts Receivable – Detailed Discussion

The close cooperation between LJP and the Department is only possible due to the MOUs that outline each party’s rights and responsibilities with respect to the other. An aspect of the close relationship is illustrated by the Department having agreed to allow LJP to use its accounts with various campus service centers as a vehicle for LJP as a non-University entity to receive campus services. Doing so requires the Department to closely monitor its recharges, and invoice LJP to account for costs of expenditures incurred. New financial systems introduced unique challenges for the Department. Amongst these is the reconciliation of accounts receivable form LJP, and validating that funds were directed to the correct accounts.

With the start of fiscal year 2023 on July 1, 2022, LJP had its recharge account established on campus with the Dean's Office. As a result, the Department no longer has to rebill LJP for campus recharges, although all other aspects of the relationship will continue. Both parties will continue to split the costs of operating the theatre facilities, and accounts receivable management and reconciliations will continue to be a business process for the Department. However, the receivables from prior periods still remain on the department's books.

A comprehensive review of accounts receivables observed the following:

- Three invoices totaling \$2,334.62 to LJP are outstanding from 2021.
- One of the three invoices was partially paid on 8/3/2021, and credited to the Department's A/R on 6/9/2022, 310 days later.
- Invoice 1385016, dated 5/28/2022, was paid on 8/11/2022, and was credited to the Department's A/R on 12/19/2022, or 130 days after payment.
- Two invoices that have been paid though they have yet to be credited to the Department's accounts receivable:
 - Invoice 1384017 dated 5/17/22 and paid in 86 days (8/11/22) for \$96,0000.
 - Invoice 1289009 dated 5/31/22 and paid fully in 72 days (8/11/22) for a total of \$51,525.91. (Payments were split, so the date referenced above is the last payment.)

Oversight of departmental resources is a key management task. Although the Dean's Office has assumed LJP invoicing responsibilities, it did not assume management of the Department's accumulated receivables. In addition, as the Department uncovers recharges belonging to LJP for periods prior to LJP establishing its own campus account, it continues to invoice LJP for these expenditures. Given that these assets remain on the Department's ledger, a documented process to monitor receivables and follow steps to resolve these outstanding balances would enhance account receivable controls.

Attachment A – Audit Results by Business Office Process

AMAS Audit Review Procedure							
Business Office Process	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
Operating Ledger Transaction Verification		√		Discussed processes with Department; examined General Ledger reports and Department balances.	No	Improvement Needed	Monthly ledger review was not systematically performed or documented. (Finding A. and B.)
Payroll Ledger Review		√		Discussed processes with Department.	No	Improvement Needed	Payroll ledgers reviews were not documented (Finding A.)
Equipment Inventory	√	√		Reviewed CAMS register for completeness of individual records and recent equipment purchases.	No	Improvement Needed	Inventories not completed as required by University policy. (Finding A.)
Events	√		√	Reviewed nine entertainment events.	No	Improvement Needed	Observed instances of non-compliance with University policy with respect to attendance lists, approvals, itemized invoices. (Finding C.)
Information Systems		√	√	The completed IT Internal Control Questionnaire (ICQ) and reviewed with IT staff in interview.	No	Improvement Needed	The Information Security Risk Assessment is not documented as required by policy. (Finding D.)
Accounts Receivable	√	√	√	Reviewed and traced invoices issued to LJP to cover campus expenditures on department’s accounts.	No	Improvement Needed	Accounts receivable procedures were not documented and were not monitored. (Finding E.)
Conflict of Commitment Certification	√		√	Reviewed OATS records for academics.	Yes	Improvement Suggested	A small number of academics had not completed their annual certifications.
Gift Funds	√	√	√	Reviewed expenditures from seven different gift funds.	Yes	Satisfactory	Gift funds generally support donors’ intentions.

¹ Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

Attachment A – Audit Results by Business Office Process

AMAS Audit Review Procedure							
Business Office Process	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
Deficit Management	√	√	√	Ran a Deficit Balance Report and reviewed management’s resolution discussions / plans.	Yes	Satisfactory	The department’s Chief Administrative Officer (CAO) has been working with the Dean’s Office on a resolution plan.
Agreements (MOUs)	√	√		All MOUs were reviewed and summarized with respect impact on business processes.	Yes	Satisfactory	For lack of shared staff, the MOU on this topic was effectively not operational.
Travel Events	√	√		Reviewed a sample of 12 travel expenditures and documentation.	Yes	Satisfactory	Travel expenditures were processed timely and business purpose was documented.
Purchasing & Procurement Card	√	√	√	Reviewed a sample of 12 transactions. Reviewed another seven transactions where cardholder was able to approve their own transaction due to system error.	Yes	Satisfactory	PCard transactions were processed in accordance with policy. The P-card system no longer allows cardholder to approve their own transactions.
Cash Expenditures	√	√	√	Reviewed cash fund receipts that document expenditures as part of replenishment and traced expenditures to gift funds intended for production support.	Yes	Satisfactory	Controls for petty cash appeared adequate.
Diversity, Inclusion & Equity	N/A	√	N/A	N/A	N/A	N/A	Pass on review on account Dean’s office hired independent contractor to review.
Direct Retro (Payroll Cost Transfer)	√	√		Reviewed a sample of Direct Retro payroll cost transfers	Yes	N/A	The Department receives no Federal funding; thus timeliness of payroll cost transfers, which based on Federal policies, were not applied.

Attachment B – Transaction Review Sample Results

Ref.	PO #	Schedule A. Transactions involving physical assets	Amount
1.	92242863	<p>The POs intended Purchasing Category was Telecom Audio Visual Equipment under \$5K. It featured two items expensed to account code (522203 - Audio Visual Supplies).</p> <ol style="list-style-type: none"> 1. Ion XE 2K Console - mouse and keyboard included. Price including sales taxes: 2. Asus 24 LED Monitor. Price including sales taxes: <p>Observation: The first item should be capitalized as inventorial equipment and recorded in CAMS. If the second item is an accessory to the first, then both should be capitalized as one item. If not, the second item should be moved to non-inventorial equipment.</p>	<p>\$7,717.50 \$ 175.00</p>
2.	PUR00218927	<p>The PO was intended for “Telecom Audio Visual Equipment under 5K” as it was for 25 microphones and tabletop stands for each. Instead, equipment was coded to account (530101 - Professional Services and Consultants).</p> <p>Observation: Because the items in question are equipment that is expected to last more than a year, costs should be moved to non-inventorial equipment.</p>	\$5,441.92
3.	PUR00389558	<p>The PO was intended as “Material Handling Equipment over \$5K (Inventorial)”, a category not in keeping with departmental operations. Both items were expensed to account code (522203 – Audio Visual Supplies). The items are as follows:</p> <ol style="list-style-type: none"> 1. “4331A1012-US Element 2 Console, 6,144 Outputs.” Cost with sales taxes: 2. “4240A1023-US Eos Fader Wing, 20 Fader.” Cost with sales taxes: 3. Shipping <p>Observation: Equipment costs should be removed from Audio Visual Supplies as the transaction is for durable equipment. If one item is an attachment to another, then they should be capitalized in total. If not, then the item costing more than \$5K should be capitalized and the other coded as non-inventorial equipment. Shipping costs may be prorated.</p>	<p>\$ 6,720.37 \$ 2,915.72 \$ 65.00</p>
4.	PUR00455995	<p>The PO was intended for Purchasing Category “Telecom Audio Visual Equipment under \$5K”; but was classified under account code (522203 – Audio Visual Supplies). Shipping costs of \$70 were broken out as 522201 - Office Supplies.</p> <p>Observation: Purchase appears to be for durable equipment with life greater than a year. Shipping should be added to the cost of the equipment, which should all have been coded as non-inventoriable equipment.</p>	\$ 3,011.61
5.	PUR00007016	<p>The PO was intended for Purchasing Category “Telecom Audio Visual Equipment over \$5K”; but was coded to account code (63001 - CIP - Equip Fab Materials and Labor).</p> <p>Observation: The destination account code is inappropriate, as costs posted to this account are not inventorial equipment. The account is used by other departments to accumulate costs to construct durable research equipment, which is then capitalized upon completion. The balance should be moved to inventorial equipment.</p>	\$13,278.45
6	PUR00087685	<p>The PO’s intended Purchasing Category “Services – Media/Digital” listed the three items below, along with the account codes they were journaled to:</p> <ol style="list-style-type: none"> 1. Onsite Technical Services (532301 - Equipment Repairs and Maintenance) 	\$ 3,676.97

Attachment B – Transaction Review Sample Results

Ref.	PO #	Schedule A. Transactions involving physical assets	Amount
		2. Equipment (163001 - CIP - Equip Fab Materials and Labor) 3. Equipment (163001 - CIP - Equip Fab Materials and Labor) Observation: The fabrication account is not appropriate, given the nature of theatre operations. If the onsite technical services were related to the installation or set-up of the equipment, then these costs should be added to the cost of the equipment. If the resulting balance exceeds the \$5K threshold, the equipment should be capitalized, else it should be listed as non-inventoriable equipment.	\$ 80.81 \$ 3,437.23
7	PUR00089222	The PO's intended for Purchasing Category was "Telecom Audio Visual Equipment over \$5K" for all four items; 1. Tour 8 Mixer Case (163001 - CIP - Equip Fab Materials and Labor) 2. Stagebox,16 Mic Preamps (2 qty.) (163001 - CIP - Equip Fab Materials and Labor) 3. 64-Channel Digital Mixer, 96kHz (525905 - Inventorial Equipment already Capitalized). Observation: The fabrication account is aligned with the nature of theatre operations. Items should be moved to non-inventorial equipment (account 522301 – Equipment <\$5K) and tracked as theft sensitive.	\$ 968.67 \$ 2,152.44 \$ 7,790.33
Total of transactions reviewed involving assets where changes are suggested			\$34,396.51
Schedule B. Transactions involving equipment rental			
8	92223844	The PO was intended for Purchasing Category "Janitorial Supplies." The expenditure was coded to account code (532000 - Facilities Construction) Observation: The intended purchasing category is questionable. Expenditures should be moved to account code (532200 – Equipment Rental) as facilities construction is outside of departmental activities. Error likely due to a miss-key as there is one digit difference between the two accounts.	\$ 918.84
9	PUR00452344	The PO for a copier rental was coded to account code (522201 - Office Supplies), and the maintenance contract to account code (522301 - Equipment less than \$5K). Observation: Expenditures for the copier should be moved to (532200 – Equipment Rental). The costs of the maintenance agreement should be moved to account code (532301 – Equipment Repairs and Maintenance).	\$ 4,844.87 \$ 1,185.49
Total of transactions reviewed involving equipment rental			\$ 5,763.71
Total of transactions reviewed involving equipment repairs and maintenance			\$1,1185.49